



**COUNCIL PRESIDENT SCOTT PETERS
DISTRICT ONE**

MEMORANDUM

DATE: January 9, 2008
TO: Honorable Councilmembers
FROM: Council President Scott Peters
SUBJECT: Budget Priorities for Fiscal Year 2009

Over the years, this City Council has worked tirelessly with the Mayor, City staff and the residents of San Diego to improve the fiscal health of the City and its retirement system. We are now starting to see the positive results of that work. The City is close to resolving outstanding issues with the financial rating agencies; the City Council has improved financial disclosure and financial practices, the City has streamlined City services, and the pension system is now actuarially sound. Exercising fiscal restraint, developing long term financial solutions, and protecting core services the City provides to our citizens will continue to be a foundation of our Fiscal Year ("FY") 2009 budget.

My budget priorities for FY 2009 are as follows:

Safe Communities:

- 1) Continue the progress made in FY 2008 in offering competitive salary and benefits packages to police officers and work to provide the same for our fire fighters.
- 2) Increase and support police presence in our communities by identifying funds to increase staffing and equipment deficiencies in our Police Department.
- 3) Identify different measures and relevant costs to implement the Fire-Rescue Department's Station Master Plan to eliminate the City's fire station and staffing deficits within the next ten years.
- 4) Build on a 300% increase in fire hazardous brush cleared in the City. More funding needs to be identified as the City looks for ways to improve fire preventative measures in the City.

City Finances:

- 5) Establish a strong foundation for managed competition practices by developing an efficient and transparent process to deliver quality services to residents of the City in the most economical and efficient way.
- 6) Identify potential future budgeting changes for the City and Centre City Development Corporation due to the downturn in the housing market.
- 7) Implement budgeting process by using performance measures.
- 8) Identify savings and outcomes as the result of past Business Process Reengineering (“BPR”) implementations.
- 9) Establish and maintain sustainable revenue sources for City core general fund services such as trash collection and the maintenance of our water and wastewater systems. The City has a duty to be responsible to the taxpayers by approaching funding and budgeting decisions in a way that is realistic but fair.
- 10) Reform our Community Development Block Grant management practices by supporting policy recommendations to ensure the City’s practices are in full compliance with Department of Housing and Urban Development’s regulations.
- 11) Fix our streets and environment by continuing to increase funding for street resurfacing, sidewalk repairs, Americans with Disabilities Act projects, clean water initiatives and wastewater and stormwater runoff projects.
- 12) Boost savings by bringing the City’s Unallocated General Fund Reserves to a healthy ratio with best municipal practices.
- 13) Explore the San Diego Regional Chamber of Commerce’s 2005 proposal to place fees on car rental transactions and increase the real estate transfer tax. The car rental tax increase would be used to enhance the City’s current street resurfacing program and the real estate transfer tax would potentially be used to leverage and fund the Fire-Rescue Department’s Station Master Plan to eliminate the City’s fire station and staffing deficit needs.
- 14) Increase staffing for the City Internal Auditor’s Department.
- 15) Work with the San Diego area Congressional and State delegations to secure additional state and federal revenue for local infrastructure projects.
- 16) Maximize real estate assets by reviewing City leases and real estate holdings to determine how these properties can be used to the City’s best advantage.

Labor Negotiations and Retirement System:

- 17) Negotiate fairly with all employees. Define the role for the City Council in labor negotiations consistent with practices in other Strong Mayor/Council cities. Engage in productive and positive discussions with employee groups to recover additional monies at the bargaining table, rather than seeking to reduce our liabilities through costly and unsuccessful lawsuits.
- 18) Reduce healthcare costs by working with all employee unions to aggregate members in a reduced number of current employee and retirement healthcare plans. This can reduce administrative costs and the per-employee costs paid by the City and the employees. Consolidating plans with the Police Officers' Association, Local 145 and the Deputy City Attorneys resulted in savings for the City in FY 2008. I invite the other labor groups to join me in a conversation about how to reduce health care costs for both the City and individual employees.
- 19) Continue to reduce pension costs by continuing to pay down pension liabilities in a way that preserves the City's ability to deliver day-to-day neighborhood services.

I look forward to working with each of you, Mayor Sanders, the Independent Budget Analyst, City staff and the citizens of the City of San Diego to build on the foundation we have established in restoring of fiscal integrity in our City.

SHP: wjs

Attachment

cc: Honorable Mayor Jerry Sanders
Honorable City Attorney Mike Aguirre
Jay Goldstone, Chief Operating Officer
Andrea Tevlin, Independent Budget Analyst
Mary Lewis, Chief Financial Officer

Chamber backs tax increase to fix potholes

By Michael Stetz
STAFF WRITER

April 23, 2005

The San Diego Regional Chamber of Commerce doesn't normally endorse tax increases. It supports the local business community, which thinks of taxes the way Dracula thinks of daybreak.

But these are strange times in San Diego.

The chamber announced yesterday that it wants the city to adopt a new tax and increase another one to rid the city's roads of potholes and to upgrade other infrastructure, such as water and sewer systems.

If enacted, the taxes could generate as much as \$50 million a year over five years under the chamber's best-case scenario. But the \$250 million would not be a total solution. The city estimated in 2001 that it would cost \$320 million just to bring streets and sidewalks up to standard.

Chamber officials said the nuts-and-bolts part of the city is falling apart at an alarming rate and that city government isn't doing enough. It's foundering under a crushing pension fund debt and under pressure from federal agencies looking to see what went wrong.

How radical is the chamber's proposal of a car rental fee and an increase in the real estate transfer tax?

"We searched our archives and can't remember doing anything like it," said Mitch Mitchell, the chamber's vice president for public policy.

John Hawkins, the chamber's immediate past chairman, cautioned that the tax increase is not a cure and that a more comprehensive infrastructure repair plan is needed. He and others likened the proposal to a Band-Aid.

The outbreak of potholes in city streets this year is not simply the result of the recent near-record amount of rain, but also of "years of neglect and shifting priorities," he said.

Because of budget problems, the city has all but quit resurfacing streets, *The San Diego Union-Tribune* recently reported, a move that has drastically affected the quality of the roads. Only six miles are budgeted to get the key maintenance this year. Last year, no streets were resurfaced.

San Diego has 2,800 miles of streets.

Meanwhile, potholes are festering. At one point, the city estimated that 60,000 were scattered throughout the city. From late December to April, the city filled more than 20,000 potholes.

While the chamber has supported such measures as an increase in the Transient Occupancy Tax, which is levied on hotel guests, it rarely supports general tax increases.

"It's a break from the norm," Mitchell said.

The business leaders noted their frustrations with city leadership, saying elected officials have lost focus. It's why they're pushing the agenda.

"We have expressed our frustrations about the 'he said, she said' mentality that consistently appears at City Hall," said Mike Murphy, chairman of the chamber board. "As our population grows, so do the needs and expectations of the business and residential communities."

San Diego City Councilwoman Donna Frye said she can appreciate the chamber's frustrations but doesn't believe that such piecemeal steps are the answer. "It's like putting a Band-Aid on a big, gaping, bleeding wound."

The city needs to come clean with its problems and start finding real solutions, she said. The chamber, she added, has not always supported fees it found unpopular, such as an increase in water fees to big users.

"It cuts both ways," she said.

Mayor Dick Murphy responded to the chamber's proposal via e-mail. "Generally, I oppose new taxes. However, I would be willing to consider a car rental surcharge, which would be primarily paid by tourists if it were spent exclusively on road repair and resurfacing."

The chamber wants the city to place a \$2 fee on city car rental transactions and increase the real estate transfer tax from the current \$1.10 per thousand dollar value to \$3.60.

The city is home to 108 car rental businesses. The chamber predicts the tax could raise between \$1.2 million to nearly \$4 million annually, depending on how many cars are rented and for how long.

Even a \$2 fee would affect business, said John Basir, who works for Atwest Rent A Car on Rosecrans Street. It's a competitive business, he said. If you bump the price up, even a little bit, it'll hurt. And customers will grumble. "For them, it'll be a big deal," Basir said.

The real estate tax increase would raise much more money. If a home in San Diego County were resold at today's median price of \$535,000, the new transfer tax would generate \$2,088 instead of the current \$638. The county gets a portion of that. In fiscal year 2003, the city received about \$10 million from that tax.

That increase would need voter approval.

The San Diego Association of Realtors has "a great interest" in this issue but has yet to study the chamber's proposal, said Susan Tinsky, vice president of government affairs.

These tax increases have to be monitored closely to make certain the money goes where it's supposed to, noted Lisa Briggs, of the San Diego County Taxpayers Association.

Too often, the revenue ends up going elsewhere.

Her organization is no fan of the way the city has handled its infrastructure demands. Deferring maintenance only makes matters worse because repairs become more costly.

The chamber's proposal would include a so-called sunset clause, ending the tax after five years. Oversight panels would be created to check progress. Money from the car rental tax would go to pothole and street repair, while gains from the real estate tax would be dedicated to other infrastructure needs.

The chamber has been more aggressive of late in city affairs. It's also pushing for more affordable housing programs.

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